Completing the Loan Choice Worksheet with Variable Spread

1. Financing Information

1a. Country Name: This is the official name of the country in which the project or program is located.

1b. Project or Program Name: This is the complete name of the project or program, as it is expected to appear in the loan documents.

1c. Borrower: This is the recipient (either sovereign or subnational entity) of the World Bank loan.

1d. Currency of Loan Amount: This is the currency of commitment of the loan. It could be US dollar, euro, Japanese yen, British pound or two or more of these currencies.

Loan Amount: This is the loan amount agreed to by the Bank.

If the loan is to be denominated in more than one currency, please indicate the name and amount of each currency on a separate sheet.

Interest Rate: effective April 1, 2021, the interest rate on IFLs is based on the Reference Rate\(^1\) plus a variable spread. The variable spread includes a contractual spread, a maturity premium (where applicable), and the Bank’s average funding cost relative to the Reference Rate, and the benefits and risks of changes in IBRD’s cost of borrowing are borne by the borrower. The Bank’s average funding cost relative to the Reference Rate is recalculated quarterly (every January 1, April 1, July 1 and October 1) based on the cost of the underlying funding for these loans and applies to the interest period commencing on the next payment date.\(^2\)

Variable Spread – Components

- Contractual spread
- Maturity premium (8+ years maturity)
- Average funding cost relative to SOFR or EURIBOR

For the latest spreads, please visit: https://treasury.worldbank.org/en/about/unit/treasury/ibrd-financial-products/lending-rates-and-fees

2. Repayment Terms

Borrowers have the flexibility to tailor the repayment terms by choosing any combination of grace period, final maturity, repayment schedule, and amortization pattern. The repayment terms must fall within the policy limits of 35 years maximum final maturity (including the grace period) and 20 years maximum average repayment maturity (ARM). Borrowers can use the

\(^1\) SOFR for USD, SONIA for GBP, TONA for JPY, and EURIBOR for EUR. SOFR stands for the Secured Overnight Financing Rate and is a broad measure of the cost of overnight borrowing collateralized by the U.S. Treasury securities in the repurchase agreement market, published by the Federal Reserve Bank of New York. SONIA stands for Sterling Overnight Index Average and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and is administered and published by the Bank of England. TONA stands for Tokyo Overnight Average Rate and measures the cost of borrowing in the Japanese yen unsecured overnight money market, and is administered and published by the Bank of Japan. EURIBOR stands for Euro Interbank Offered Rate and is a daily reference rate based on the averaged interest rates at which eurozone banks offer to lend unsecured funds to other banks in the euro interbank market (visit www.euribor-ebf.eu).

\(^2\) Since April 2017, the frequency of calculating the average funding spread component of the IFL Variable Spread is on a quarterly basis. The calculation frequency does not affect the schedule of loan interest rate resets, which for most loans occurs on repayment dates twice a year.
Amortization Schedule Analyzer (ASA) available in Client Connection (login required) to estimate if selected terms fall within the Bank policy limits.

Certain eligible borrowers can request insertion of the CRDC into their loan and activate the CRDC to defer principal, and/or interest payments (and other loan charges) for up to two years (see item 5 below). For purposes of the Loan Choice Worksheet, eligible borrower only needs to indicate whether it wishes to include CRDC option into the loan.

2a. Payment dates: This refers to the dates for repayment of principal and payment of interest and other loan charges. Payment dates are the 1st or 15th of any two months, which are six months apart, as selected by the borrower. The first payment date for a loan must be within six months of the expected date of approval by the World Bank's Board of Executive Directors (the Board). For example, if the expected loan approval date is January 5, 2020, then the first payment date must fall between January 15 and July 1, 2020.

2b. Grace period: This is the number of years during the life of the loan in which the borrower pays interest on the loan, but makes no principal repayment. The first principal repayment would occur on the first payment date following the end of the grace period. For commitment-linked repayment schedules, the grace period starts from the Board approval date. For disbursement-linked repayment schedules, the grace period starts at the end of the semester in which the relevant disbursement was made. Following the above example, for a commitment-linked repayment schedule, a 5-year grace period means the first principal repayment would be due between January 15 and July 1, 2025 (depending on the exact selection of payment dates by the borrower).

2c. Total repayment term including grace period: This is the final maturity of the loan. Including the grace period, the maximum final maturity cannot exceed 35 years (including in cases of CRDC deferrals).

2d. Repayment schedule: This refers to principal repayments, which can be linked to the original committed amount or to actual disbursements. At loan negotiations, the borrower can choose one of the following options:

- **Commitment-linked**: The loan repayment schedule is linked to the timing of loan commitment. Principal repayments are calculated as a share of the total loan amount disbursed and outstanding. The average repayment maturity limit is calculated as the weighted average period of time between expected loan approval and scheduled repayments.

- **Disbursement-linked**: The loan repayment schedule is linked to actual disbursements. Each semester's group of disbursements is treated as a separate tranche with its own repayment terms (i.e. grace period, final maturity, and amortization profile), and must be the same profile for all tranches within the loan. The average repayment maturity limit is calculated as the sum of the expected average disbursement period and the average repayment maturity of each disbursement tranche. If this option is selected, the borrower must include the loan disbursement profile, broken down by semester.

Notes:

For **disbursement-linked repayment schedules**, level amortization and annuity amortization are currently available. These options may change in the future.

In the case of **loans with a Deferred Drawdown Option (DDOs and Cat DDOs)** with a disbursement-linked repayment schedule, the term limits are calculated from the date of withdrawal and may be modified at the time of withdrawal. A borrower may choose different repayment terms for each withdrawal, but payment dates must be the same for all withdrawals. The repayment schedule will start from the date of each withdrawal. The average disbursement period is 0.5 years for the purpose of calculating the limits.
2e. **Amortization profile:** This refers to how the principal amount is repaid. The borrower can choose among the following options:

**i. Level Repayment:** The principal is repaid in equal installments over time.

**ii. Annuity Repayment:** The principal is repaid in increasing installments over time in order to keep the payments of principal plus interest as equal as possible.

**iii. Bullet Repayment:** The principal is repaid in one lump sum at the end of the term of the loan. Borrower must specify the repayment date.

**iv. Other, Tailored Repayment:** Principal repayments can be customized to meet the borrower’s needs. Borrowers specify the payment dates and corresponding amounts.

*Note: Amortization Profiles for the DDO and Cat DDO*

For the DDO and Cat DDO, the amortization profile may be modified for each withdrawal upon drawdown, within prevailing maturity policy limits. The borrower may choose different amortization profiles for each withdrawal.

**Amortization Schedule following the exercise of CRDC deferral**

A new (and faster) amortization schedule would be set post-deferral. The borrower will have the flexibility to structure post-deferral repayment amounts subject to the requirements that the revised repayment schedule conform to the ARM and not extend the final maturity of the original loan. The Bank will generate and provide an updated repayment schedule to the borrower.

3. **Front-End Fee**

The front-end fee is 0.25% of the loan amount and may be financed out of the loan proceeds (i.e., capitalized) or paid from the borrower’s own resources. The front-end fee for Cat DDOs is 0.50% and the one for Special Development Policy Loans (SDPLs) is 1.00%.

**Financed out of loan proceeds (capitalized):** When the front-end fee is financed out of the loan proceeds, it becomes part of the principal amount serviced by the borrower and does not alter the negotiated amount. The amount necessary for the payment of the front-end fee will be deducted from the first disbursement of the loan proceeds.

**Paid by borrower upfront from own resources:** If the borrower chooses to pay the front-end fee from its own resources, the fee is due within 60 days of the effectiveness date of the loan. Payment must be made before the loan can start disbursing.
Note: Capitalization of the front-end fee may be limited if Automatic Conversion to Local Currency (ACLC) is elected. In case the borrower elects the ACLC, the borrower typically pays the front-end fee out of its own resources. However, if the Bank agrees, the borrower may finance the front-end fee out of the proceeds of the Loan, subject to such additional terms as notified by the Bank to the borrower. See “Automatic Conversion to Local Currency” in the Guidelines for Conversion of Loan and Financing Terms (“Conversion Guidelines”). http://www.worldbank.org/en/about/unit/treasury/financial-products/ibrd/ibrd-flexible-loan

Borrowers may also capitalize the commitment fee, interest, and other charges if the Bank agrees to such request. Please refer to Section 2.07 of the General Conditions. Borrowers should contact the Financial Products and Client Solutions department for more information.

4. Conversion Options
The conversion options embedded in the IFL—currency conversions, interest rate conversions, and interest rate cap/collars—are available as default options pursuant to section 4.01 of the General Conditions. The borrowers may opt out of any conversion options. If not opted out, the conversion options can be used anytime during the life of the loan at the borrower’s request by submission of a conversion request. Interest rate conversions and interest rate cap/collars are currently offered for fixing and unfixing the Reference Rate of the loan. Additionally, borrowers may elect to include the Automatic Currency Conversion to Local Currency (ACLC) and Automatic Rate Fixing conversions in the loan agreement at the loan signing. If not initially included in the loan agreement, the borrower may later access these conversion options by submitting an appropriate conversion request.

Certain conversion fees apply at the time the borrower elects to undertake a conversion. For the latest conversion fees, please visit: http://www.worldbank.org/en/about/unit/treasury/financial-products/ibrd/ibrd-flexible-loan#2

Note: Currency conversions are not available for certain loans that are guaranteed by third-party members of the Bank. For such IFLs, the currency of the loan must be aligned with the currency stipulated in the third-party member guarantee.

4a. Borrowers may opt out of any of the conversion options by checking the appropriate box. Note that opt-out should be used only if there is a requirement for the borrower to do so – absent such requirement, consider not opting out as the conversion options can stay available until the borrower decides to activate any of them.

4b. If borrower chooses not to opt out of Interest Rate Caps or Collars, there are two alternatives for financing the cost of the interest rate or Reference Rate protection provided by a cap/collar.

- **Cap/Collar premium to be financed out of the loan proceeds:** In the case that a premium is to be paid for a cap or a collar on the Reference Rate of the loan, the borrower has the option of using some of the loan proceeds to finance the premium, assuming that enough funds are available to be disbursed to cover the premium.

- **Cap/Collar premium paid by the borrower from own resources:** In the case that a premium is to be paid for a cap or a collar on the Reference Rate of the loan, the borrower may choose to finance the premium from its own resources.

4c. Automatic Rate Fixing Conversion (ARF): This is a request to the Bank to automatically fix the reference rate on the outstanding principal for the remaining loan maturity. The borrower may specify that ARF are to be undertaken by reference to either of the following:

- **Interest Period:** Every 6, 12, 18, or 24 months, the cumulative amount disbursed during the preceding 6, 12, 18, or 24 months respectively, is aggregated into a new tranche and its interest rate is fixed; or

- **Amount Disbursed:** Every time the cumulative amount disbursed reaches a client-specified limit, the cumulative amount is aggregated into a new tranche, and the Reference Rate is fixed for that tranche. The minimum amount must be USD 3 million or 10% of the loan, whichever is higher.

Note: The ARF option by amount is not available for IFLs with a disbursement-linked repayment schedule. If ARF is elected on LCW, the above elections will be reflected in the loan agreement.

4d. Automatic Currency Conversion to Local Currency (ACLC)
This option will automatically convert each loan disbursement and its currency of repayment into an approved local currency. Please contact the Financial Products and Client Solutions department for available currencies, amounts, tenors, and rates as well as for specific instructions and forms related to this option.

If ACLC is elected on LCW, the loan agreement will have an ACLC Annex or side letter, setting forth the terms of the ACLC.

5. Climate Resilient Debt Clause (CRDC)

IFL also offers a Climate Resilient Debt Clause (CRDC) to small states, whose economies are disproportionately vulnerable to natural disasters. By selecting the insertion of the CRDC in their loan agreement, eligible borrowers can opt to defer their principal and/or interest payments (and other loan charges) for up to 2 years following the occurrence of a severe predefined natural disaster.

If CRDC is elected on the Loan Choice Worksheet, the loan agreement will include the relevant provisions for exercising a payment deferral. The CRDC fee is 0.05 percent per annum on the disbursed and outstanding loan balance. This fee will start accruing one year before the first scheduled principal repayment date and stop accruing on the earlier of (a) the activation of the CRDC deferral period, and (b) 5 years prior to the loan's final maturity.

Please contact the Financial Products and Client Solutions department to discuss the CRDC option and its benefits and risks.

6. Borrower's Rationale Statement for Choice of Loan Terms

This statement is given by the borrower as an explanation for the chosen lending terms. It is important, so that both the borrower and the Bank have a record of, and fully understand, the borrower's decisions with respect to the loan.

7. Representation

This is a legal disclaimer provided by the borrower which stipulates that the borrower has made informed and independent decisions regarding the lending terms. It also stipulates that the Bank did not make specific recommendations about loan terms to the borrower.

8. Borrower's Signature and Date

This section should be signed by the person who completed the Loan Choice Worksheet. The date is the day on which the worksheet was completed and signed.

Distribution

The completed and signed form should be attached to the Minutes of Negotiation. In addition, copies should be faxed or scanned and sent by email to:

- WFA Regional Service Accounts:
  - Africa – loaafr@worldbank.org
  - East Asia & the Pacific – loaeap@worldbank.org
  - Europe & Central Asia – loaec@worldbank.org
  - Latin America & the Caribbean – loalcr@worldbank.org
  - Middle East & North Africa – loamna@worldbank.org
  - South Asia – loasar@worldbank.org

- The World Bank Treasury is available to assist you in the selection of financial terms for this project. Please do not hesitate to contact Miguel Navarro-Martín, Manager, Financial Products & Client Solutions, + 1 (202) 458-4722, mnavarromartin@worldbank.org.

- Project Task Team Leader

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3 IBRD and IDA-eligible Small State Economies (as defined by the Bank), members of the Small States Forum, and Small Island Developing States (as defined by the UN)